

ESTIMATES COMMITTEE 1962-63

TWENTY-FIRST REPORT (THIRD LOK SABHA)

**MINISTRY OF ECONOMIC AND DEFENCE
CO-ORDINATION**

**Action taken by Government on the Recommendations
contained in the Hundred and Twenty-Third Report
(Second Lok Sabha) of the Estimates Committee
on the Development Wing (now Department
of Technical Development)**



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1963/Magha, 1884 (Saka)

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ESTIMATES COMMITTEE
1962-63

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*Elected w.e.f. 15th November, 1962 vice late Shri B. J. Singh.

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INTRODUCTION

1. the Chairman, Estimates Committee, having been authorised by the Committee present this Twenty-first Report on action taken by Government on the recommendations contained in the Hundred and Twenty-third Report (Second Lok Sabha) of the Estimates Committee on the Ministry of Commerce & Industry—Development Wing. (The Development Wing has since been transferred to the Ministry of Economic and Defence Coordination and is now known as the Department of Technical Development.)

2. The Hundred and Twenty-third Report of the Estimates Committee was presented to Lok Sabha on the 5th April, 1961. Government furnished their replies indicating action taken or proposed on the recommendations contained in the Report on the 12th January, 1962. The Government were requested to furnish further information on points arising out of replies to certain recommendations contained in the Report. This information was received from Government by 13th July, 1962. The replies were considered by the Study Group 'D' of the Estimates Committee on the 6th September, 1962 who desired that further information be called for on certain points arising out of their replies. Further information was received on the 9th November, 1962 and it was considered by the Study Group 'D' on the 11th December, 1962. The draft Report was considered by the Study Group 'D' on the 22nd January 1963 and adopted by the Committee on the 29th January, 1963.

3. The Report has been divided into the following four Chapters:—

- I. Report.
- II. Recommendations that have been accepted by the Government.
- III. Replies of Government that have been accepted by the Committee.
- IV. Replies of Government that have not been accepted by the Committee.

4. An analysis of the action taken on the recommendations contained in the Hundred and Twenty-third Report of the Estimates Committee (Second Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 45 recommendations made in the

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Report, 16 recommendations *i.e.* 35·5 per cent. have been accepted fully by Government while 16 recommendations *i.e.*, 35·5 per cent. have been accepted partly. Of the rest replies of Government in respect of 11 recommendations *i.e.* 24·5 per cent. have been accepted by the Committee while those in respect of 2 recommendations *i.e.* 4·5 per cent. have not been accepted by the Committee.

NEW DELHI-1,

February 4, 1963.
Magha 15, 1884 (Saka).

H. C. DASAPPA,

Chairman,
Estimates Committee.

CHAPTER I

REPORT

The Estimates Committee are glad to note that the various recommendations made by them in their 123rd Report (Second Lok Sabha) on the Development Wing have been replied to by Government generally to their satisfaction. There are, however, two recommendations replies to which have not been accepted by the Committee and their comments thereon are contained in Chapter IV of this Report.

CHAPTER II
RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

S. N. (as in Appendix V of the 23rd report)		Reference to para-graph No. of the Report	Summary of Recommendation/ conclusion	Reply of the Government
1	2	3	4	5
2	9		<p>The Committee feel that it might be useful to have a unified pay scale for Assistant Development Officers, as has been done in the case of Deputy Development Officers which might help in better recruitment. It would be also desirable to examine the possibility of recruiting young men in the lower categories and put them under a course of training, so that they can qualify themselves for employment in higher posts in due course. Such an arrangement might, to some extent, help the Development Wing in filling up its required strength of technical officers.</p>	<p>A unified scale of pay has been prescribed for Assistant Development Officers. As regards the recommendation to recruit youngmen in the lower categories, recruitment rules are being finalised in consultation with the U.P.S.C. and it is proposed to provide for a higher percentage of direct recruits at the lower levels.</p> <p>[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]</p>

3	10	<p>The Committee feel it desirable to have a proper scientific analysis of the work-load, existing and anticipated, in the Development Wing and to assess the requirement of officers to work to the programme of industrial development in the Third Plan.</p>	<p>The recommendation of the Committee has been accepted. As desired by the Committee in para 14 of their report this matter has been referred to the Special Reorganisation Unit, which has since taken up the examination of the Development Wing.</p>	<p>[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]</p>
4	12	<p>The Committee feel that it may not be necessary for the Development Wing which is mainly concerned with tendering of technical advice and registration and licensing of industries to have a large non-technical staff. It is likely that some reduction may be effected by improving present methods of work to avoid duplication, unnecessary paper work and typing. The Committee recommend that the matter may be examined by the Special Reorganisation Unit with this end in view.</p>	<p>The recommendation of the Committee has been accepted. The Special Reorganisation Unit has since taken up the examination of the Development Wing.</p>	<p>[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]</p>
5	14	<p>It is necessary to define the functions of the various officers in the Development Wing and fix a working ratio between the different</p>	<p>The recommendation of the Committee has been accepted and the matter has been referred to the Special Reorganisation Unit, which</p>	

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categories of officers as recommended in para 10 (c.f. S. No. 3 *ibid*). By doing so, it may be possible to have better output, less of clerical work and have other advantages of a proper organisation.

The Committee recommend that an examination on this aspect may be carried out by the Special Re-organisation Unit.

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is at present examining the Development Wing.
[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

The Committee are of the opinion that a more detailed examination of the allocation of work and functions of officials and staff of the Ministry of Commerce and Industry and the Development Wing may be useful.

The S.R.U. is examining the allocation of the work of the Development Wing. This will lead to streamlining of the work in the Ministry as well.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

Recommendation has been accepted regarding Boards. In regard to Committees, senior Officers are appointed as and when necessary, for specific *ad hoc* purposes and function accordingly.

Considering the heavy responsibilities of the two Senior Industrial Advisers in the Development Wing, It appears to the Committee that the number of Committees or Boards on which they are represented, are

far too many. They suggest that the present appointments of the Senior Industrial Advisers or other officers in the Development Wing on a number of Boards/Committees should be reviewed to see whether they could not be relieved of the Membership/Chairmanship of some of the Boards/Committees etc. and enabled to devote more attention to the transaction of business at the Headquarters. The question of appointing other officers of the Development Wing to some of these Committees/Boards in the place of the two Senior Industrial Advisers may be examined.

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The Committee are doubtful whether it is necessary to have as many as 4 Sections for co-ordination in the Development Wing. In any case, in spite of these Sections, the complaints of delay continue. It is necessary to reorganise the present set-up for a more expeditious disposal of work. The Committee feel that it would be desirable to have a sample check of time taken at various stages in the disposal of applications for industrial licences and grant of

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

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The S.R.U. is examining this matter.

[Ministry of Commerce and Industry
O.M. No. 5/26/61 Estt. IV, dated the
12th Jan., 1962.]

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raw materials etc. during one licensing period and to remove any defects and bottlenecks found in the existing procedure. This could be entrusted to the Special Reorganisation Unit.

Suggestion accepted.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Est. IV, dated the
12th Jan., 1962.]

The Committee would suggest that Government may examine the feasibility of revising the procedure for receipt and processing of applications for industrial licence on the lines indicated in this para.

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The Committee recommend that an investigation into the causes for delay in the disposal of applications may be undertaken and effective steps taken to reduce the time taken in the issue of licences. They suggest that the information regarding the number of applications received, the number disposed of, the average time taken in the disposed and the number pending and the broad reasons therefor and other cognate matters may be published in the Annual Reports of the Development Wing for information of the general public.

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Position is constantly under review. The information suggested by the Committee is being included in the Annual Report. Where necessary, information will be further amplified.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Est. IV, dated the
12th Jan., 1962.]

The Committee suggest that a study of the causes necessitating the calling of additional information might be undertaken by the Ministry. Such a study would enable it to find out as to what extent the further references were due to incomplete information furnished by the applicant or to piecemeal disposal by the Development Wing. The first can be reduced by proper functioning of the Public Relations Unit recommended at para 39 above. The remedy for the second lies in improving the procedure and efficiency in the Development Wing. They would also suggest as an additional measure that irrespective of the investigation recommended, a time limit for calling for the additional information by the Development Wing even as a time-limit is fixed for the supply of additional information by the applicant may be laid down. Such additional information should be called for all at a time.

No hard and fast rules can obviously be laid down in the matter because cases have to be decided on the basis of full and complete information. However, it has been decided to prescribe a time-limit of three weeks from the date of receipt of the application in the Development Wing for calling further information.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

The Committee feel that it would be useful if the applications for industrial licences give the information

Action is being taken in accordance with the recommendations of the Committee. The policy in this regard

as to in how many and which concerns or groups of industries the applicant(s) were interested, as without such information the Development Wing could exercise little control on the growth of industrial empires. The Committee, recommend that the form of applications for industrial licence should be revised so as to make it obligatory on the part of an applicant to declare the particulars of the various firms, companies or groups of Industries wherein he held an interest as also particulars of licences pending utilisation.

The Committee consider that Government should take all positive steps necessary to give effect to their own policy of broad-basing the industrial sector on the lines suggested herein and others which a more detailed examination of the remedial measures may reveal.

Meanwhile, the Committee suggest that a survey of holdings in the industrial field by the various groups of Industries and Business houses may be undertaken, if not already done.

is being made more effective all the time having regard to all the circumstances. The Ministry and the Development Wing, for instance, already know the fields in which the better-known business houses are engaged. The Capital Issues Committee also pays attention to this matter. The recommendations of the Committee are noted.

[Ministry of Commerce and Industry
O.M. No. 5/28/61-Est. IV, dated the
12th Jan., 1962.]

Further Information called for by the Committee.

The Concrete Steps taken to conduct a survey of holdings in the industrial field by various Groups of industries may be indicated.

L.S.S. O.M. No. 38-EC/61, dated 2nd Feb., 1962.

Action has been initiated to revise the forms of application for licence prescribed under the Industries (Development and Regulation) Act with the object of collecting through the forms the detailed information which is necessary for conducting a survey on the lines recommended by the Committee. On receipt of such detailed information, the survey will be conducted.

[Ministry of Commerce and Industry O.M. No. 5/26/62-Ett. i (ii), dated the 6th June, 1962.]

The Committee hope that the proposal to establish a full-fledged statistical section to deal with the compilation and analysing of industrial data will soon be implemented.

The Committee notice that there is no uniform or set pattern in the presentation of the Reports of the Development Councils. The Committee recommend that a uniform pattern for presentation of these Reports may be evolved.

The Statistical Section has already started functioning.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Ett. IV, dated the 6th June, 1962.]

Recommendation accepted.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Ett. IV, dated the 12th Jan., 1962.]

Recommendation noted.

This will be done.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Ett. IV, dated the 12th Jan., 1962.]

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The Committee are glad to note the steps taken by the Government to encourage the employment of Indians in foreign-owned industrial

concerns. They hope that the need for progressive Indianisation in the higher cadres in these concerns will be continuously kept in view by Government.

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The Committee suggest that special steps should be taken to increase the training facilities for operators for working on lathes by expanding the existing machine tool units and by establishing fresh schools wherever necessary.

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Legislation has recently been enacted in Parliament which provides for compulsory training of Operators and other skilled workers in various factories. This will afford considerable facilities with regard to training of Operators for working on lathes.

Under the craftsmen training Scheme, with which the Directorate General of Employment and Training is concerned, the number of sanctioned seats in the Turner Trade at the end of the Second Plan period was about 3,000. The total output of these 3,000 seats during the Third Plan period will be 10,000 Turner trainees. It is also proposed to add about 6,000 Turner seats during the Third Plan period. The total output in the Turner Trade (inclusive of 3,000 seats sanctioned during the 2nd Plan) during the Third Plan period will be about 20,000.

At the State-owned Hindustan Machine Tools Factory at Bangalore excellent training facilities are available. Due to the Company's own large-scale expansion programme, (it is doubling the capacity to 2,000 machine tools during the course of the Third Plan), it is not in a position to offer many seats to outside trainees. The Company has however, promised to reserve 50 seats for outsiders till 31.3.62 and 100 seats thereafter subject to certain conditions.

A new machine tool factory is shortly being set up in Punjab by Hindustan Machine Tools Ltd. An up-to-date training school imparting training facilities in important trades could be opened at the new factory. The Estimates Committee's recommendation will be borne in mind while finalising the setting up of the Third Machine Tool factory during the course of the Third Plan.

It is considered that the expansion of the Government owned machine tool factory at Bangalore and the setting up of two more new machine tool units producing 1,000 to 1,500 machine tools per year, will naturally necessitate a large-scale in-

crease in the training facilities for operators working on different types of machine tools including lathes. The Praga Tools Corporation have also opened a training school. [Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

It will be seen that the functions of the Development Wing are quite wide and comprehensive. The Committee's examination has mostly proceeded on the basis of the reports of the Development Wing, its Councils and the material made available to them by the Ministry. There may be different views held on its actual functioning, but it is fairly evident that by and large it proved useful. If some of the defects and shortcomings could be remedied, its usefulness to build the industrial economy of the country will greatly improve. It has functioned now for a long enough time to necessitate a comprehensive review with a view not only to improve its working and efficiency but also to ascertain its exact impact on the industrial development of the country.

The recommendation has been accepted and it has been decided to set up a Committee to review the working of the Development Wing. [Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

CHAPTER III
REPLIES OF GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Sl. No. (as in Appendix of V the 123rd Report)	Reference to Paragraph No. of the Report)	Summary of recommendation conclusion		Reply of the Government
		1	2	
1	4	The Committee suggest that the publication entitled 'Programmes of Industrial Development' should cover a wider ground so as to include practically all the industries for which there is a favourable climate as well as necessity in the country, and the likely capacity of each industry required to be developed, the amount of foreign exchange required having regard to the progress made in indigenous production of machine-building etc. The Five Year Plans no doubt serve a distinct and useful purpose especially to correlate achievements with resources and fixing the concerned targets. But the Committee consider that planning on a	<p>13</p> <p>Recommendation has been noted for suitable action. The Planning Commission are already engaged on long range and comprehensive perspective planning.</p> <p>[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]</p>	

mere 5 years basis would not carry the country very far and quick enough.

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Senior Officers as a rule do not go for inspection, which is done by junior officers.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

It would be desirable to relieve the senior officers of touring by entrusting that work to the junior officers like Deputy Development Officers and Assistant Development Officers. Such an arrangement would give the junior officers an opportunity to go round the country, get familiar with the industrial units and their work and make them fitted to deal with the specific problems which are referred to them.

The Committee are glad to be assured that specific complaints regarding the exercise of powers vested under the Industries (Development and Regulation) Act, 1951 by officers in the Development Wing, when brought up will be looked into. They may say, however, that there is not a general tendency on the part of individuals to carry such specific complaints to higher authorities, for they may be afraid that

Development Wing have not been delegated any specific powers under the Industries (Development and Regulation) Act. In the course of examination of applications for licences, officers of the Development Wing have naturally to ask for various types of information whenever necessary to enable them to properly examine the applications and to advise Government. The Development Wing would not be

it may defeat the very purpose of doing so. It might be useful to examine how the powers under the Industries (Development and Regulation) Act, 1951 have been exercised in a representative number of cases.

able to judge whether any such information is regarded as confidential by the parties. However, if any party feels that the information is confidential and cannot be furnished, it is open to it to inform the Development Wing and also the Ministry of Commerce and Industry accordingly. Similarly, whenever, the reasons given for rejection of an application are considered unsatisfactory by the applicant, he usually represents to the Ministry and his representation receives careful consideration. In this connection it may be noted that all rejections are effected only under the authority of the Licensing Committee set up under the Act.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

Further information called for by
the Committee.

The reply did not clarify as to whether any examination had been made of the exercise of powers under the Industries (Dev. & Reg.) Act, 1951 in a representative number of cases. (The Ministry may

No examination of the exercise of powers under the Industries (Dev. & Reg.) Act, 1951, in a representative number of cases has been made by this Ministry or by senior Officers of the Development Wing as

furnish information on this specific point).

Lok Sabha Secretarial O.M. No. 38EC/61, dated the 24th Sept., 1962.

it was difficult to find out in which cases information regarded as confidential by the parties was called for by them. The fact remains that the Development Wing had not, till September, 1961 received any objection from any private party to any enquiry addressed by them, on the ground that the information asked for was of a confidential nature or otherwise objectionable.

The working of the Dev. Wing is being further gone into by a Committee specially constituted by this Ministry and the issue raised in the ~~new~~ commendation will also come up for consideration by this Committee.

[Ministry of Commerce and Industry
5EI (6) 62, dated the 9th Nov., 1962.]

Only three officers left Development Wing since 1958 for reasons other than those of joining other Government organisations or reversion to their parent Departments. Of these three officers, one officer left on the completion of his 5 years' contract service with the Government. While one of the other two officers re-

Though the number of officers of the Development Wing during the past few years to join private concerns on more attractive terms is not large, it would be inappropriate if the appointment of such persons in the private sector was in any way influenced by the official positions enjoyed by them. The Committee

suggest that it might be interesting to find out whether any of the officers of the Development Wing who joined private firms, while working in the Development Wing had at any time any official dealings with firms or concerns which they later on joined and whether they went without prior permission.

Further information called for by the Committee.

The Ministry may state whether the two officers who had resigned for private reasons or on grounds of ill health had taken up employment with private firms with whom they had official dealings before resigning from Govt. service.

Lok Sabha Secretariat O.M. No. 38-EC/61, dated the 24th September, 1962.

signed for private reasons, the second officer resigned in view of his ill-health. It has not been possible to find out the present employment of these three officers.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan. 1962.]

Only three officers left Development Wing since 1958 for reasons other than joining other Government Organisations or reversion to their parent Departments. Of these three officers, one officer left on the completion of his 5 years' contract service with the Govt. while the other two resigned, one for private reasons and the second in view of ill health. It has not been possible to find out the present employment of these two officers. Efforts were made to find out the whereabouts of these two officers but without success. It cannot, therefore, be stated whether they had taken up employment with private firms.

[Ministry of Commerce and Industry
5.EI(6)/62 dated the 9th Nov.,
1962.]

1	2	3	4
13	39	<p>The Committee are inclined to agree with the opinion expressed by the Secretary to the Ministry regarding opening of zonal offices. There is, however, an unquestionable need to make available for all industrialists particularly those who do not have sufficient resources of their own, a single source for the purpose of furnishing up-to-date and detailed information about any matter relating to starting of new or expansion of existing industries. The Committee feel that it would be helpful to have a Public Relations Unit in the Development Wing for the purpose of furnishing information on industries to entrepreneurs and industrialists. They also feel that it may be desirable for the Development Wing to establish, in conjunction with State Governments, similar Units in the State Directorates of industries for rendering similar assistance to the industrialists and entrepreneurs.</p>	<p>It is not possible for one officer to give advice on technical aspects of all schemes submitted by people on various subjects. As a beginning it is proposed to try an Enquiry Bureau at Headquarters to give to the public the following kinds of information:—</p> <ul style="list-style-type: none"> (i) Names of officers who look after different industries & detailed distribution of subjects handled by each officer of Development Wing. (ii) Industries which are banned for a certain period or which are free for licensing. (iii) Names of indigenous manufacturers and connected data. (iv) Other relevant information to the extent possible. <p>● [Ministry of Commerce and Industry O.M. No. 5/28/61 Estt. IV, dated the 12th Jan., 1962.]</p>
14	40		<p>The Committee also suggest that Development Wing should promote close liaison not only with the State Directors of Industries</p>

State Directors of Industries but also with the commercial and industrial organisations in the country by posting them with all particulars concerning its work and the manner and method whereby it is assisting industrialists in putting through their proposals. Such organisations would then be in a better position to serve their constituents.

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In the Committee's opinion, one way to eliminate unhealthy practices of the role of intermediaries in the matter of securing licences would be to make available to the applicant an authorised source which could enable him to get direct contact with the officers concerned and obtain the information relevant to his case. The Public Relations Unit (vide para 39 of the Report) could be usefully entrusted with these functions.

and industrial organisations. The suggestion of the Committee has been noted.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

19

It is not possible for one officer to give advice on Technical aspects of all schemes submitted by people on various subjects. As a beginning it is proposed to try an Enquiry Bureau at Headquarters to give to the public the following kinds of information:—

- (i) Names of officers who look after different Industries and detailed distribution of subjects handled by each officer of Development Wing.
- (ii) Industries which are banned for a certain period or which are free for licensing.
- (iii) Names of indigenous manufacturers and connected data.

(iv) Other relevant information to the extent possible.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV. dated the
12th Jan., 1962.]

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The Committee feel that the Ministry of Commerce and Industry should exercise a close scrutiny over the transfer of the licences by the licencees to see that such transfers were *bona fide*. It would be desirable, in the Committee's opinion, to prohibit all transfers of licences without prior approval of the competent authority who should satisfy himself before permitting such transfer that it is in fact a *bona fide* transaction. They also recommend that a periodical examination of all the licences issued should be undertaken to see that the capacity licensed is actually installed and any licensee found guilty of misuse brought to book.

Cases of transfer of licences to unconnected parties have to come to the Ministry in the ordinary course. Each case is decided on its merits.
[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV. dated the
12th Jan., 1962.]

They recommend that all transfers of licences should be published in the journal of Industry and Trade.

The Committee would further suggest that a period should be prescribed in the industrial licence itself indicating the time within which the plant should be installed, taking into consideration the nature of the industry. If the applicant does not take all necessary steps to install the machinery within the time prescribed or any extension given to him, power may be exercised to withdraw the licence.

The Committee need hardly emphasise that the programme of the development of one industry should be linked with the progress of the consuming industries. They would, therefore, suggest that a study of the expansion permitted in a few selected industries may be undertaken to see whether there has been any imbalance between the industries consuming manufactured raw materials and the production of the latter.

The Committee are of opinion that in the present circumstances of foreign exchange, due care should be taken to see that no additional units or capacity are created when there is no prospect of the availability of sufficient raw materials in the im-

There is already provision in the licensing regulations and procedures for this being done. Each case is dealt with on its merits. The recommendation of the Committee has been noted for action.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

Studies of expansion in specific fields are undertaken in the ordinary course from time to time. Reports and conclusions on such studies have been and will be supplied to the Central Advisory Council of industries.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

Action is already being taken to ensure that no new capacity is created if there is no prospect of availability of sufficient raw material.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV, dated the 12th Jan., 1962.]

mediate future. Even regardless of the availability of raw materials, it would not be wise economy normally to instal extra capacity when the existing capacity in an industry is itself not fully utilised, unless it be for exceptional reasons where there may be certain zonal advantages.

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The Committee feel that barring special exceptions it would be healthy for the economy of the country to have a large number of medium scale units rather than a few large units, the unit cost of production being fairly competitive. They have in their earlier Reports [cf. 77th and 79th Reports (Second Lok Sabha)] laid stress on the importance and the need to foster small scale industries by special encouragement. Likewise, the medium scale units have a special place in the economy of the country and there is need even as in the case of small scale industries those which may

As a working rule units employing more than Rs. 5 lakhs but less than Rs. 10 lakhs of fixed assets (i.e. plant, building and land) are regarded as medium scale industries. They are exempt from licensing under the Industries (Development and Regulation) Act. The recommendation of the Committee is under examination.

[Ministry of Commerce and Industry
O.M. No. 5/28/61-Estt. IV, dated the
12th Jan., 1962.]

by way of raw materials, foreign exchange etc. may be determined and publicised. It is hardly necessary to add that the interests of small scale and cottage industries will continue to be safeguarded as hitherto.

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68 The Committee are of the opinion that after the definition of a medium scale unit has been decided on, a Statewise list showing such industries together with ownership should be drawn up with the help of the State Governments and kept up-to-date.

Further information called for by the Committee.

The result of the examination may be stated.

L.S.S. O.M. No. 38-EC/61, dated 2nd Feb., 1962.

As a working rule, units employing more than Rs. 5 lakhs but less than Rs. 10 lakhs of fixed assets (i.e. plan building and land) are regarded as medium scale industries. They are exempt from licensing under the Industries (Development & Regulation) Act, 1951, irrespective of the number of persons employed vide this Ministry's Notification No. S.O. 312/IDRA/29B/2/61, dated the 30th January, 1962.

Necessary instructions regarding the procedure for assistance to various

categories of industrial units in the procurement of import licences for capital goods, raw materials, etc., have been issued to all State Governments etc. vide this Ministry's letter No. IP-1(33)/50, dated the 12th February, 1962 (vide Appendix D). This letter inter alia explains the type of medium scale industrial units (i.e. units having fixed assets of value between Rs. 5 lakhs and Rs. 10 lakhs irrespective of number of persons employed which would be borne on the lists of the State Directorates of Industries and Development Wing respectively. Lists of such units with necessary details are being maintained by the Development Wing and the State Directorates of Industries.

[Ministry of Commerce and Industry O.M. No. 5/6/62-Est. I, dated the 11th July, 1962.]

The recommendation has been brought to the notice of the State Governments for suitable action. So far as the Central Government are concerned, high priority is being accorded to balanced development of various regions and necessary action

It is no doubt true that industries are located in favourable areas taking into account a number of factors—availability of power, water, raw materials, technical personnel, transport facilities, climate etc. Though the policy of the Government is a

fair dispersal of industries, yet it is seen that they continue to be concentrated in certain areas—a line of development which the Committee are not happy about. The Committee recommend that the balanced development of the various regions in the country may be given a high priority. In doing so, Government may ensure that preference is given to the under-developed areas without affecting the basic economics of an industry to be set up. In order to achieve this object, Government might consider the feasibility of offering certain inducements to the industrialists like easy availability of land, power or allocation of building materials, raw materials etc.

The Committee consider it of utmost importance that the industries get the necessary raw materials in time so that production would run smoothly. They would emphasise that a close watch should be kept by the Development Wing on the raw material position and wherever they are in short supply, special efforts made to fill the gaps so that industries are able to maintain their full level of production. Any programme for industrial development

is being taken to encourage and ensure a fair dispersal of industries throughout the country consistent with the economics of individual schemes.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

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Within the existing limitations of foreign exchange, transport etc., this is already being done and will continue to be done.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

must necessarily take into account the availability of raw materials and the rate at which their supply can be increased to meet the increasing demand. A close coordination with the sanctioning authorities should also be maintained.

29 72

The Committee heard frequent complaints about the quality of the indigenous raw materials. They feel that special measures should be taken by the Development Wing to guard against the quality of indigenous raw material falling below specifications. When any unit fails to produce quality Goods, Government may take measures to warn it in the first instance to bring them upto specifications, failing which the non-renewal of licence may be resorted to or in the alternative no raw materials may be made available to such units.

Industrial licences are not subject to renewal after production has commenced. However, the recommendations of the Committee have been noted for action in whatever manner is feasible.

[Ministry of Commerce and Industry O.M. No. 5/28/61-Estt. IV, dated the 12th Jan., 1962.]

30 75

The Committee find it difficult to appreciate the reason for introducing a purely foreign firm especially in

Such items were licensed a number of years ago. Current policy is in

a non-essential consumer article when there was already an established Indian firm. It is also of interest to note that a number of articles such as toothpastes, face-powders, hair-oils, cosmetics, nasal drops, gripe mixture and antiseptic lotions etc. are being produced under licences by foreign firms even though there were already in the field quite a number of established Indian firms. The Committee fail to understand the necessity for encouraging such foreign stuffs when all the while austerity is being harped upon.

line with what the Committee desires.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

This is one of the considerations generally borne in mind.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV, dated the
12th Jan., 1962.]

The Committee feel that it is very desirable to ensure that the existing unutilised installed capacity is fully utilised specially before any foreign collaboration is permitted. They suggest that before permitting any foreign collaboration the unutilised existing installed capacity should always be assessed and steps taken to utilise such unutilised capacity before foreign collaboration for starting of new units is approved.

1	2	3	4
33	82	<p>The Committee suggest that Government may consider whether it would not be more appropriate to call on the industrial associations/bodies to formally propose their representatives to the Development Councils who may be appointed by Government to these Councils. Such a procedure, the Committee feel, would ensure better representation of the varied interests on the Councils and inspire a feeling of confidence in the industry as a whole.</p>	<p>Nominations to Development Councils are based on the knowledge, standing, experience and personal qualifications of the nominees. In the present stage of development it is considered that these criteria would best serve the interests of development.</p> <p>This point is already borne in the mind by Government. While reconstituting any Council, the problems facing the industry covered by the Council, whether the Council should be continued or how best the problems facing the industry can otherwise be tackled, etc. are carefully examined and final decision taken only thereafter. For instance, recently the Development Councils for Alkalies and Allied Industries and for the Alcohol Industry were discontinued.</p>
35	86	<p>The Committee urge that a review of the working of the Non-ferrous</p>	<p>[Ministry of Commerce and Industry O.M. No. 5/26/61-Est. IV. dated the 12th Jan., 1962.]</p> <p>At present only imported copper is under statutory control. There is</p>

Metals Control Order, 1958 may be undertaken so that the defects in the procedure of allotment of quota distribution and the sale of various non-ferrous metals like copper, zinc, tin etc. in the black-market might be eliminated.

also controlled distribution of other metals. As regards copper to which the Committee have made specific recommendations, the following background information is relevant:

Imported copper is released to scheduled and non-scheduled units by the Controller by issue of permits. The quantities for which permits are issued in the case of scheduled units are determined by the Development Wing. The quantities for which the permits are issued to SSI units are determined by the Controller on the basis of the recommendations he received from the State Director of Industries who are indicated the ceilings, upto which they could allot metals to units in their jurisdiction by this Ministry.

As regards scheduled units, their activities are controlled by Development Wing. They submit production returns to that Wing. Officers of that Wing could go and inspect the factories of such units. Hence, as and when specific

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complaints of black-marketing of copper by the scheduled units are received they are taken up and enquiries are made by the Development Wing.

The small scale units are too many and are scattered over the country. They produce a variety of products and there is at present no control over them from the Centre. The State Governments are expected to inspect them and keep a watch over their activities. Cases where instances of abuse by SSI Units are reported, are referred to the State Governments for detailed enquiry.

A review of the working of the Non-Ferrous Metals Control Order is being undertaken.

[Ministry of Commerce and Industry
O.M. No. 5/28/61-Estt. IV, dated the
12th Jan., 1962.]

Further information called for by the Committee.

The results of the review of the non-ferrous metals Control Order may be furnished.

L.S.S. O.M. No. 38-EC/61. dated the 2nd Feb. 1962.

There is a case of M/s. **Eagle Brothers** Vs the Controller of Non-Ferrous Metals pending in the Delhi Circuit Bench of the Punjab High Court. It relates to Non-Ferrous Metals Control Order, 1958. There is also another case relating to disposal of Copper imported by an established importer of Bombay Viz. M/s. Laxmi Copper and Wire Industries which has since become insolvent. The question of revoking the Copper Control Order will be taken up as soon as the above mentioned cases are finally decided.

81
[Ministry of Commerce and Industry
O.M. No. 5/6/62-Estt. I (ii) dated
the 6th June, 1962.]

The Committee feel that it would be desirable for the Government to make the method adopted for the computation of non-ferrous metal quotas etc. known to the actual users concerned either through the various Chambers of Commerce and Industry in the country or by publishing suitably in the Red Book or by Circulars posted directly to the applicants or by issue of Press Notes.

86

As regards scheduled units, the basis of the quotas are generally known to the units. In the case of non-scheduled units, the quota is not fixed. It depends upon the recommendation of the State Directors of Industries.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV dated the
12th Jan., 1962.]

1	2	3	4
3'	90	The Committee feel that checks should be regularly and strictly carried out to prevent improper utilisation of the allocations of the raw materials in short supply.	There are obvious limitations to the exercise of checks as suggested. Raw materials are allocated on grounds of capacity, essentially, etc. and the results are judged from returns of production. When complaints are received, specific inquiries are undertaken. The State Government adopts a similar procedure in regard to small scale industries.
			<p style="text-align: center;">[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV dated the 12th Jan., 1962.]</p> <p style="text-align: center;">3</p>

In this matter, a number of agencies other than Commerce and Industry Ministry are also concerned e.g. Customs, Income-tax etc. It is the endeavour of all these agencies to ensure that over-invoicing of imports is eliminated.

94

The Committee note with concern the existence of over-invoicing of imports of raw materials. They hope that Government will take all possible steps to stop the practice.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV dated the
12th Jan., 1962.]

95 The Committee feel that the Drug Controller, who controls the manufacture of drugs and pharmaceuticals by the small-scale and large-scale units, could be consulted profitably in order to avoid variation in prices of imported raw materials for drugs and pharmaceuticals.

The Drug Controller in the Ministry of Health is an ex-officio Industrial Adviser for drugs and pharmaceuticals in the Development Wing. Whenever the Drug Controller has pointed out that a particular raw material can be obtained at a cheaper price from any country, a ceiling price is fixed for these raw materials and the firms are not permitted to import them at higher prices.

[Ministry of Commerce and Industry O.M. No. 5/26/61-Estt. IV dated the 12th Jan., 1962.]

98 There is considerable leeway to be made up to make the country self-sufficient in respect of machine tools. The Committee trust that all efforts will be made to encourage production of the variety of machine tools including the special types so that major requirements of the country are met from indigenous production. They would suggest that in order to encourage the small ancillary units and to decentralise the production of machine tools, certain concessions by way of making raw materials easily available may be extended to those units.

This Ministry is already seized of the problem referred to in the above mentioned recommendation and a substantial target for capacity for machine tools has been set in the Third Plan period. The machine tool industry which is a scheduled industry under the Industries (Development and Regulation) Act, 1951, has been placed on the free licensing list. A high priority is being accorded to the requirements of imported capital equipment for the manufacture of machine tools, even in the context of the present foreign exchange situation. The Develop-

ment Council for Machine tool industry is also actively making efforts to establish the machine tool industry on a sound basis and to encourage the setting up of machine tool units. The capacity for manufacture of machine tools in the public sector is also being considerably expanded.

The Committee's suggestion for the grant of concession by way of supply of raw materials to small ancillary units, is under examination.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV dated the
12th Jan., 1962.]

Further information called for by the Committee.

The decision regarding grant of concession by way of supply of raw materials to small ancillary units may be intimated.
L.S.S. O.M. No. 38-EC/61, dated the
2nd Feb., 1962.

A very small quantity of nonferrous metal is required for the manufacture of machine tools and this too is being met by the allocations that are made by the Ministry of Commerce and Industry to the Small Industries Sector.

[Ministry of Commerce and Industry
O.M. No. 5/6/62-Estt. I (i)
6th June, 1962.]

100

The Committee feel that there is a need for carrying out a comprehensive survey of the requirements of the various drugs and equipment necessary to produce them. They would also suggest that measures may be taken to expedite the production of essential drugs in the country. The Development Wing may also publish detailed information regarding the production and imports of various drugs.

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Targets for production of various essential drugs are drawn from time to time by the Development Council for drugs and pharmaceuticals. They have also worked out the various equipment required by the pharmaceutical industry for basic manufacture as well as for their formulations both in respect of expansion and maintenance for the industry. The Technical Sub-Committee of the Development Council have been reviewing recently the list and examining how far facilities have developed in the country for undertaking their manufacture.

[Ministry of Commerce and Industry
O.M. No. 5/26/61 Estt. IV dated the
12th Jan., 1962.]

1	2	3	4
44	101	The Committee trust that all efforts will be made to explore markets for the export of Indian Drugs and Pharmaceuticals.	Efforts for expanding the market for the export of Indian drugs and pharmaceuticals are being made both specifically and as part of the general export promotion drive.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Est. IV dated the
12th Jan., 1962.]

CHAPTER IV

REPLIES OF GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Sl. No.	Reference to Appendix Paragraph V of the 123rd Report	Summary of recommendation/conclusion	Reply of the Government	Comments of the Committee
1	2	3	4	5
11	30	The Committee have been assured that special steps have been taken by the Ministry to remove the delays in the issue of import licences. They suggest that the question of fixing a ceiling of foreign exchange for issue of import licences on the recommendations of the Development Wing and of enabling the Development Wing itself to issue licences within that limit may be examined. Further the possibility of transferring a small unit of the Chief Controller of Imports and Exports to the Development Wing to deal with the actual issue of licences may be considered.	All cases of delay in the issue of import licences are constantly reviewed in the Ministry. Development Wing and the organisation of the Chief Controller of Imports and Exports are now housed in the main building of the Ministry. Every effort is thus made to avoid delays in the issue of licences.	The Committee set up by the Ministry to go into the working of the Development Wing may consider this matter in detail and suggest effective measures to eliminate delays in issue of import licences. The recommendations of this Committee together with Government's decision thereon may be intimated to the Estimates Committee.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV dated the
12th Jan., 1962.]

5

Further information called for by the Committee.

The Ministry may state whether they had examined the question of transferring a small unit of the Wing of the C.C.I&E. to the Development Wing and if so, with what results.

L.S.S. O.M. No. 38-EC/61. dated the 24th Sept. 1962.

The question of transferring a small unit of the C.C.I&E. Organisation to the Development Wing was examined but in view of the position explained in para 28 of the Report, and since, as already stated in Government's reply to this recommendation, the Development Wing and the Organisation of the C.C.I&E. are now housed in the same building, no such change in the existing arrangements has been considered necessary.

[Ministry of Commerce and Industry
O.M. No. 5 EI(6)/62 dated the 9th November. 1962.]

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16 52 The Committee, while appreciating the need for some service for an applicant coming from a far and not very conversant with the intricacies of the process for obtaining licences are at the same time aware of the malpractices such a system may lend itself to. They had

Accredited representatives of firms frequently meet officers of the Development Wing to discuss and clarify various matters in respect of their applications and proposals. Information regarding frequent visitors to the Development Wing is not readily available. In case of The point made out by the Committee that Intelligence Department should keep vigilance over the unhealthy activities of intermediaries in the matter of procurement of licences has

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[Ministry of Commerce and Industry
O.M. No. 5 EI(6)/62 dated the 9th November. 1962.]

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desired to be furnished with the information regarding the persons who during a specified period frequented the offices of the Development Wing in connection with the issue of licences. That has not yet been furnished. In the absence of this information, it has not been possible for the Committee to find whether the undesirable practice obtains to any large extent. The Committee realise that such intermediaries can also function outside the Office premises and homes. The Committee are of opinion that the Intelligence Department should keep a vigilance over the unhealthy activities of any such intermediaries in the matter of procurement of licences. They agree that there may be room for reputed firms or individuals to render assistance to the industrialists seeking licences, in which case a proper procedure may be prescribed for their operation including registration of their names.

doubt about the *bonafides* of any "intermediary" being an authorised representative of the applicant firm, he can be asked to produce his power of attorney so that his *bona-fides* are satisfactorily established.

[Ministry of Commerce and Industry
O.M. No. 5/26/61-Estt. IV dated the
12th Jan. 1962.]

not been replied. The Committee reiterate their earlier suggestion.

APPENDIX I

[*Vide* Reply to S.N. 25, 26 in Chapter III]

No. IP-1(33)/60

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, dated the 12th February, 1962

To

All State Governments and Union Territories, (Industries Department)

SUBJECT:—*Procedure for assistance to various categories of Industrial units in the procurement of import licences for capital goods, raw materials, etc.*

Sir,

As you may be aware, at present all industrial units which are in receipt of a licence under the Industries (Development & Regulation) Act, 1951, and in addition, certain other units which were registered in the past with the Development Wing of this Ministry, are sponsored by the Development Wing for the grant of import licences or other forms of assistance required by them to enable them to carry on their manufacturing operations—such as in the matter of procurement of controlled raw materials, fuel, etc. Owing to the fact that even small scale units (i.e. units having fixed assets less than Rs. 5 lakhs) employing more than 100 persons, which are at present looked after by the State Governments in consultation with the Development Commissioner, Small Scale Industries at the Centre, were till recently required to obtain a licence under the Industries (Development & Regulation) Act, before establishment, there has apparently been some doubt as to whether the Development Wing or the State Governments would look after such units. A similar doubt seems to have arisen with regard to units which are *not* covered by the definition of small scale units, but which are at the same time exempted from obtaining a licence under the Industries (Development & Regulation) Act, before establishment. In order to remove any possible misunderstanding and to clarify the procedure to be followed in each case, the whole matter has recently been considered by this Ministry and the following decisions have been reached :—

(1) *Small Scale Units i.e., units with less than Rs. 5 lakhs fixed assets, irrespective of the number of persons employed.*

All such units should be exempted from the licensing provisions of the Industries Act, and should be looked after by the Development

Commissioner, Small Scale Industries, in consultation with the State Government concerned and *not* by the Development Wing. (Action has since been taken to exempt units from the licensing provisions of the Industries (Development and Regulation) Act. A copy of the notification issued in this respect is enclosed*).

Certain units falling under this category, which were previously registered with the Development Wing and are being looked after by the Development Wing at present due to their old association with the Development Wing, should be transferred to the Small Scale Sector so that the Director of Industries concerned and the Development Commissioner, Small Scale Industries should look after them in future.

(2) *Units having fixed assets of value between Rs. 5 lakhs and Rs. 10 lakhs irrespective of the number of persons employed.*

It will be observed that the enclosed notification, referred to above, exempts all such units also from the licensing provisions of the Industries Act. All such units should be looked after by the Development Wing for purposes of grant of import licences for capital goods, raw materials etc., irrespective of whether such units are engaged in an industry covered by the Industries Act or not *provided* the manufacturing programme of such units receives the approval of the Development Wing; otherwise, they should continue to be looked after by the State Governments.

(3) *Units, not covered by the definition of Small Scale units, which are at present registered with the Development Wing in respect of some of the items only and not all of their items of manufacture.*

(i) In such cases the Development Wing should look after the requirements of the units in respect of all the items manufactured by them provided the manufacture of all such items receives the approval of the Development Wing; otherwise, in respect of the items the manufacture of which is not approved by the Development Wing, the State Governments will continue to look after the unit's requirements.

(ii) If, however, an owner (either a company or proprietor) has a number of units, some of which fall within the definition of a small scale units, *i.e.*, having fixed assets less than Rs. 5 lakhs, the small scale units in such cases would be looked after by the State Government and the Development Commissioner, Small Scale Industries, and the other units will be looked after according to paras (2) & (3) (i) above.

(4) *Exceptions:* In special cases where the Ministry of Commerce and Industry so decide, an industry as a whole may be looked after by the Development Wing, irrespective of the fixed assets and employment of any of its individual units. !

*Not enclosed.

2. I am to add for further clarification that 'Fixed assets' for the purposes of the above mentioned arrangements will include investments in land, buildings, machinery and equipment of the unit. Where units are functioning in rented premises, the capital valuation of such buildings is taken into account in assessing 'fixed assets', but workers' housing and welfare amenities are excluded from the capital estimates for this purpose. While calculating the value of machinery and equipment, the original price paid by the owners, irrespective of whether it was new machinery and equipment or second-hand, is taken into account.

3. I am to request that the decisions and clarifications embodied in the preceding paragraphs may kindly be noted for necessary action accordingly in future in the matter of grant of assistance to the various categories of industrial units. They may also be communicated to the State Director of Industries for necessary action and given due publicity among the industrial units in your State.

Yours faithfully,
(D. HEJMADI)

Deputy Secretary to the Govt. of India.

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE 123RD REPORT OF THE ESTIMATES COMMITTEE (SECOND LOK SABHA) ON DEVELOPMENT WING

1. Total number of recommendations made.	45
2. Recommendations accepted fully by Government (vide recommendations in Chapter II).	
NUMBER	16
PERCENTAGE TO TOTAL	35.5%
3. Recommendations accepted by the Government partly or with modifications (vide recommendations Nos. 1, 8, 9, 13, 14, 19, 21, 24, 25, 26, 29, 33, 35, 41, 43 and 44 in Chapter III)—	1
NUMBER	16
PERCENTAGE TO TOTAL	35.5%
4. Recommendations not accepted by Government but replies to which have been accepted by the Committee (vide recommendations Nos. 10, 20, 23, 27, 28, 30, 31, 36, 37, 39 and 40 in Chapter III)—	
NUMBER	11
PERCENTAGE TO TOTAL	24.5%
5. Recommendations replies to which have not been accepted by the Committee (vide recommendations Nos. 11 and 18 in Chapter IV)—	
NUMBER	3
PERCENTAGE TO TOTAL	4.5%

